

Testimony of  
James R. Phippard,  
Chief Operating Officer,  
ACDI/VOCA

On  
**Food Aid: Economic Development**  
**Impact, its Obstacles, and Implications of the Doha**  
**Round**

Before the Committee on Agriculture  
Subcommittee on Specialty Crops  
and Foreign Agriculture Programs  
U.S. House of Representatives

June 16, 2005

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Mr. Chairman, thank you for inviting me to testify.

ACDI/VOCA provides technical assistance to assess, design, implement and evaluate short- and long-term economic development activities. ACDI/VOCA is a Private and Voluntary Organization (PVO) registered with USAID. We specialize in creating organizations, whether cooperatives, associations, enterprises or financial institutions, that can manage and finance themselves. ACDI/VOCA addresses the most pressing and intractable development problems related to:

- Enterprise Development;
- Agribusiness Systems;
- Financial Systems; and
- Community Development.

Food aid programs are an integral part of our approach. We have been a leader in the use of monetization as a development tool, a means of spurring economic growth and increasing incomes.

Founded by U.S. agricultural cooperatives, ACDI/VOCA draws on these roots in implementing bottom-up projects. While retaining strong grassroots capabilities, ACDI/VOCA today implements global value-chain and business competitiveness projects of significant scale and complexity.

According to the U.S. Department of Agriculture, more than half of U.S. commercial agricultural exports are sold to countries that were once food aid recipients. This demonstrates the importance of food aid as a driver of economic growth. In ACDI/VOCA's practice, food aid is more than a handout of U.S. commodities. When linked with development activities, such as agricultural production, income generation, knowledge transfer and natural resource management, food aid improves the health, productivity, living conditions and incomes of recipients. In short we and other PVOs involved in food aid undertake developmental programs that are designed to assist families to become self-sufficient and, over time, reduce the need for emergency food aid programs.

Under programs of the U.S. Agency for International Development and USDA, ACDI/VOCA has monetized or distributed 850,000 MT of U.S.-donated commodities valued at over \$200 million since 1989 to enhance food security and promote economic development. We know the effectiveness of food aid—not just for humanitarian relief but also as a driver of economic growth.

Mr. Chairman, ACDI/VOCA supports a robust food aid program that is fully funded and free of WTO restrictions. In the public perception, food aid is usually associated with emergency feeding programs in cases of natural and man-made disaster. However, “non-emergency” programs stave off hunger and malnutrition in communities where productivity is low and disease and other forms of suffering, and early death, are prevalent. At ACDI/VOCA we have seen the effectiveness of food aid and will argue today that this bountiful nation can afford more generous contributions of that most basic necessity—food.

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In this regard, it is important to note that emergency food aid is often a stopgap, (albeit an essential one) whereas the use of food aid for development purposes can be an investment in future prosperity. Allow me to explain. There is a commonly appreciated need for food to be distributed to save lives and to stave off hunger and malnutrition. What may not be as easily appreciated is the usefulness of food aid for its economic development impact through monetization. Instead of direct distribution of commodities to the needy, or handing over of a shipment to a parastatal organization, ACDI/VOCA uses the monetization process itself as a means of stimulating trade within a country, designing the process so that small traders have equal access to markets. By breaking up the commodities into small lots and working directly with interested local participants in an auction or other sales process, we stimulate the local market, promote entrepreneurship and fair competition and provide a more efficient and wider distribution of needed foodstuffs. In this manner, market relationships and value chains are established so that continued transactions distribute the commodity further out into the countryside and contribute toward the development of a market economy. ACDI/VOCA is the lead monetizer for six PL 480 Title II programs in Africa and has monetized on behalf of other NGOs WFP, and the U.S. around the world.

Under current constraints, caused in part by commitments for the Asian Tsunami and other emergencies, non-emergency programs have been reduced to the lowest levels in recent history. Without additional funding in 2005, non-emergency programs will fall to 22 percent of the Title II portfolio, or about 600,000 metric tons. This is a 40 percent cut from the 2001 level and it constitutes only 32 percent of the 1,875,000 metric tons called for in the PL 480 authorizing legislation. The administration's 2006 food aid budget of \$1.185 billion (assuming the proposed \$300 million transfer to OFDA) continues this downward trend. Just to reach the Title II statutory minimum tonnage level of 2.5 MMT, \$220 million more would be needed.

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Based on projected needs, ACDI/VOCA stands with our colleagues in the Coalition for Food Aid in seeking \$2 billion for PL 480 Title II in 2006. Considering how Title II was augmented in recent years by an average of \$600 million per year, even \$2 billion merely approximates recent expenditures and does not strengthen the position of our food aid program.

In this resource-scarce environment, even the emergency needs have not been met on a sufficient or timely basis. Piecemeal allocations have the unfortunate effect of disrupting or negating our well-planned development programs. This is because development initiatives using food aid are planned well in advance of the actual receipt of the commodities and depend on a smooth flow of those commodities. An uneven supply can cause severe program dislocation, as implementers have to adjust their plans, often at the last moment, and at considerable expense, in response to diminished resources. It is clear that for the most successful food aid projects, sufficient funding for both emergency and non-emergency programs would be made available at the beginning of the fiscal year through the regular appropriations process.

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The emphasis should be on enhancing household food security. PVO implementers can be forced by shortages of food aid to distinguish between those who are struggling with an immediate, life-threatening emergency, and those whose lives may not be immediately at risk but which are chronically degraded by constant food insufficiency. Working largely with the latter group through its non-emergency programs, ACDI/VOCA is too well aware of the impacts of cuts in and disruption of these programs when cuts on commodities are made in order to meet underfunded emergency programs. It is crucial that USAID meet its commitments to non-emergency programs as currently allowed in the Food Aid Convention of 1999 (FAC), so that recipients, even though they may not be mass victims of a well-publicized tragedy, are nonetheless able to move ahead in achieving food security and increased incomes -- and not become victims of future emergencies. Shortchanging developmental food aid programs only relegates PVOs and the donor community to dealing with food security in perpetuity.

Over the years, ACDI/VOCA and other PVO implementers of food aid programs have developed increasingly sophisticated uses of non-emergency food aid to promote sustainable development. Food-assisted agricultural programs have been structured to integrate directly related inputs such as technical assistance and training, market development and value chain analysis; as well as complementary inputs including nutrition education, supplemental food assistance to HIV/AIDS sufferers and literacy training. Through programs such as these, agricultural production has increased at the household level, storage losses have been reduced, household provisioning has improved and poverty and hunger have diminished.

We in the Coalition for Food Aid are very concerned that the negotiations on the Doha round may result in actions that compromise the availability of food aid, thereby limiting our ability to address problems of food insecurity, hunger and poverty in the countries in which we work. It is critical in our view that the Doha negotiators recognize the importance of food aid in development, and not attempt to define or to limit its availability and use.

An underlying concern of some negotiators in the Doha Round seems to be the use of food aid as a way to circumvent limitations on export subsidies. While this may be within the purview of the WTO in its role of providing ground rules for international commercial trade, PVO development programs are carefully planned and monitored to ensure that food aid is neither linked to market development objectives of donor countries, nor used in a manner that might interfere with commercial trade. Furthermore, the WTO is ill-equipped to monitor potential abuse of these practices. If such external monitoring is considered necessary, we suggest that the Food and Agriculture Organization (FAO) Consultative Subcommittee on Surplus Disposal (CSSD) is in a much better position to make these assessments. And because of its organizational presence in the field and its broad understanding of the use of food aid, CSSD can consider the needs of recipients more fairly than the WTO.

Mr. Chairman, there are also the concerns relating to the potential for food aid to cause market distortions in the developing economies where it is used. As development

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professionals we are alert to this concern, and take extraordinary care that market distortions do not occur. Protections against potential international market distortions are built into the planning process. Before projects are implemented, a careful analysis of the market is done through the Bellmon Analysis, required by USAID, and the Usual Marketing Requirements (UMRs) done by the U.S. Department of Agriculture to ensure that distortions are not created.

Finally, Mr. Chairman, I will close with a brief example of two ACDI/VOCA projects that illustrate our work with food aid. I have chosen a project using monetized food aid in Rwanda; and a project using food aid both as a monetization program and as a direct distribution food supplement in Uganda.

### Rwanda

In Rwanda, ACDI/VOCA's Title II project is an example of a food aid monetization project that is a springboard to complex, interactive development activities. Following the civil war and genocide of the 1990s, Rwanda faced destabilization and severe food shortages on top of chronic poverty. In response, USAID awarded ACDI/VOCA a contract to implement an emergency food monetization program in 1998, followed by a five-year USAID P.L. 480 Title II development program in February 2000 and a follow-on Title II program in 2005.

ACDI/VOCA monetizes U.S. vegetable oil through monthly sealed-bid auctions. Besides supplying a scarce food commodity, monetization has facilitated the reemergence of small-trader activity (over 140 traders have been trained in the auction process) and an open, competitive market. When the initial Title II program closed in February 2005, ACDI/VOCA had monetized about \$6 million worth of vegetable oil. ACDI/VOCA also acts as lead monetizer for a consortium including World Vision and Catholic Relief Services, our colleagues here today. ACDI/VOCA has also negotiated the sale of 670 metric tons of wheat, through an agreement under which ACDI/VOCA is helping to develop the local wheat sector.

ACDI/VOCA also awards grants to rural associations and cooperatives involved in such activities as coffee processing, fish farming, honey production and rice cultivation. These grants support long-term economic activities and reduce vulnerability to shocks and future food insecurity. ACDI/VOCA also works with local banks to enhance grantees' credit access, and helps cooperatives and smallholder groups strengthen business skills in order to penetrate commercial agricultural markets. ACDI/VOCA also promotes enhanced access to markets by Rwandan farmers through the rehabilitation of roads and bridges.

Partnering with local organizations ACDI/VOCA promotes agricultural development and improved natural resource management. We distributed one million tree seedlings to the local population in southern Butare Province in an effort to control soil erosion. We are also introducing new and improved bean and cassava varieties. A major focus has been increasing the quality of coffee and enhancing the production and marketing chain. One

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grantee, the Abahuzamugambi Cooperative, has sold coffee to Union Roasters in the United Kingdom and to Community Coffee in Louisiana. Another grantee, COOPAC, has sold to Starbucks and LOBODIS of France.

A new food distribution component, which will be carried out under the most recent grant in collaboration with Africare, will improve household health and nutrition and reduce vulnerability to HIV/AIDS.

### Uganda

Since 1989, ACDI/VOCA's P.L. 480 Title II program has assisted Uganda to rebuild its economy and make the transition from civil war to democracy and free enterprise. Our projects affect all stages of the food chain (and illustrate the interactivity and synergy of the NGO development approach). They have helped to transform subsistence farmers into viable commercial producers, increasing rural household income and food security.

In the monetization program, U.S. wheat is sold through negotiated sales, and vegetable oil is sold in small-lot auctions, which serve to open and stimulate the local commodity market while benefiting both small- and large-scale commercial traders. In 1997, Uganda produced only 5 percent of its edible oil requirements, and donated oil was much-needed. In an effort to "put itself out of business" ACDI/VOCA food aid monetization proceeds have been applied to increasing vegoil production and marketing activities through grants to local farmer organizations, and today Uganda produces 40 percent of its vegoil needs. ACDI/VOCA also conducts monetization on behalf of Africare, Catholic Relief Services, Save the Children and World Vision.

ACDI/VOCA provides grants to local and international NGOs in order to:

- Increase agricultural production - Promoting high-quality inputs and training smallholders in improved techniques and effective business practices;
- Rehabilitate farm-to-market roads - Rehabilitating rural feeder roads, catalyzing a proliferation of commercial centers and economic activities; and
- Expand rural financial services - Providing loan collateral for commercial activities and funding the training of agricultural loan officers.

In its direct food aid distribution program, ACDI/VOCA distributes supplementary food rations to people living with HIV/AIDS, their dependents, children and orphans. The program benefits 60,000 people annually. ACDI/VOCA also conducts nutrition and hygiene training for food distribution beneficiaries.

The Rural Economy and Agricultural Production (REAP) project improves food and livelihood security for 17,000 residents of Palenga and Bobi, IDP camps in northern Uganda and prepares them for eventual resettlement. ACDI/VOCA conducts training to increase agricultural productivity and promotes business-minded farming and greater market access through a cash-for-work component to rehabilitate 80 km of community roads, outreach to local farmers on improved farming and agro-forestry systems, and training in farming as a business, post-harvest handling and marketing strategies.

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JAMES R. PHIPPARD  
Chief Operating Officer  
ACDI/VOCA

Jim Phippard has spent most of his career in international economic development. After the U.S. Navy, law school and a stint on Capitol Hill he joined USAID. There he was the Assistant General Counsel for Legislation and Assistant General Counsel for Africa before going overseas to Cote d'Ivoire and Egypt. His work in Cote d'Ivoire supported AID efforts in 27 west and central African countries as part of AID's Regional Economic Development Services Office (REDSO). He joined the USAID Mission in Egypt as U.S. assistance was expanding. As the Senior Legal Advisor, his work spanned initiatives from small-scale rural development to commodity imports to major infrastructure programs, including power and cement plants. Returning to Washington after obtaining a graduate degree in economics and international studies, he headed the AID Office of Near East and North Africa, including serving as a member of the U.S. delegation to multi-donor conferences in Yemen in 1981 and Tunisia in 1982. He also directed the U.S. response to the Southern Italian Earthquake in 1980-81.

He served as USAID Mission Director in Tunisia from 1982-87. Upon Phippard's departure from Tunisia, President Bourguiba awarded him the decoration of Commander, Order of the Republic, (primarily for work empowering farmers in Central Tunisia).

He retired from the Foreign Service as a Minister-Counselor.

As a result of his creative use of U.S. international food programs in Tunisia, particularly those in the 1985 Farm Bill, he was asked to assist the Senate Agriculture Committee in developing a complete reform of U.S. international food programs (PL480, Food for Progress, Sec. 416(b) etc.). This work contributed to the reforms contained in the 1990 Farm Bill.

In 1991 he joined Agricultural Cooperative Development International, a non-profit NGO, which later combined with Volunteers in Overseas Cooperative Assistance to become ACDI/VOCA. It has programs in over 35 countries in Agribusiness, Financial Services (micro- and small business credit, cooperative lending, banking), Enterprise Development, including assistance to micro-enterprise, small business, and cooperatives, Community Development and Food for Development. He initially was responsible for Europe and Asia and Food for Development. He is now the Chief Operating Officer.

After returning from Tunisia, Jim also became a founding board member of the American Tunisian Association and is now President of the Association.

Jim holds an undergraduate degree in economics (cum laude) from Catholic University, a law degree from Georgetown and a masters degree from Harvard's John F. Kennedy School of Government. He retired from the U.S. Naval Reserve as a Commander.

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